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CORPORATION FILE

# ANNUAL REPORT TO STOCKHOLDERS

## Montgomery Ward & Co., Incorporated

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February 2nd, 1922.

TO THE STOCKHOLDERS:

We present herewith the audited annual report of the Company's operations for the year ended December 31, 1921.

As of December 31st, 1921, the current assets of your Company totaled \$23,226,674.44, and current liabilities \$8,460,355.02, a ratio of 2.75 to 1 as compared with a ratio of 2.55 to 1 as of December 31, 1920. During the year inventories were reduced from \$30,282,671.95 to \$16,767,592.60, and notes payable from \$10,463,968.86 to \$2,972,500.00.

The balance sheet includes no item for good will, which is one of our principal assets and which has been conservatively estimated at \$20,000,000.

The sales for 1921 were \$68,523,244.00 against \$101,745,270.87 for 1920.

Inventories as of December 31, 1921, were carefully analyzed and priced at cost or actual market value, whichever was the lower. Our stock now consists of attractive, salable merchandise carried at the present low range of prices, the benefit of which we are able to offer our customers.

Experience during 1921 demonstrated that sufficient depreciation on merchandise, factories, securities and other assets, was not taken at December 31st, 1920.

The operating loss for the year was \$2,954,370.00. The remainder of the loss is made up of depreciation and loss in inventories, \$4,725,929.00, depreciation in factory plants, \$361,000; loss in value of securities held in the treasury of the company, \$562,437; loss on and allowance for accounts receivable, \$890,000.00; deferred reorganization expenses, \$170,574.59, and miscellaneous adjustments \$223,085.71.

We believe the Company is now on a sound basis and that all depreciation realized or anticipated has been taken.

During the whole year 1921 a constant effort was made to cut expenses. Although there was an increase in number of orders handled, expenses were reduced \$5,662,488.00. There has been gratifying progress in developing the efficiency of the organization—the average production per employee having been increased 45% over 1920.

While sales volume has decreased because of the big reduction in the price of commodities, it is encouraging that the number of orders has increased steadily since May. This shows that your Company is retaining the patronage of its old customers and that in addition many new customers are being secured.

The number of orders received by quarters for the year 1921, compared with 1920, is as follows: First quarter 21.87% decrease; second quarter 2.11% increase; third quarter 17.92% increase and fourth quarter 22.97% increase.

The operations of recent months, with the drastic reduction in expenses, warrant the prediction that with a fair response from the buying public, your Company for 1922 should show a profit.

Your President takes this occasion to express his appreciation of the loyalty of employees, and the patience of stockholders during the trying years of readjustment.

MONTGOMERY WARD & Co., INCORPORATED.

THEODORE F. MERSELES, *President*

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# BALANCE SHEET — D

## A S S E T S

### CURRENT AND WORKING ASSETS:

Cash .....	\$ 1,497,530.99
Marketable Securities .....	290,903.82
Accounts Receivable .....	3,955,383.60
Notes Receivable .....	332,763.43

Inventories of Merchandise, Supplies, etc.—	
Mercantile .....	\$14,975,134.79
Factories .....	1,792,457.81
	16,767,592.60

#### Affiliated Companies—

Notes Receivable .....	382,500.00	
		\$23,226,674.44
STOCK INVESTMENTS—AFFILIATED COMPANIES .....		1,843,210.99

SINKING FUND DEPOSIT (1920)—PREFERRED STOCK .....	200,000.00
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### REAL ESTATE, BUILDINGS AND EQUIPMENT:

#### Real Estate and Buildings—

Mercantile .....	\$11,702,725.01
Factories .....	853,526.28
	\$12,556,251.29

#### Machinery and Equipment—

Mercantile .....	\$ 2,462,170.00		
Factories .....	595,847.96		
		<u>3,058,017.96</u>	
			<u>15,614,269.25</u>

\$40,884,154.68

We have audited the accounts and records of Montgomery Ward & Co., Incorporated, covering the year ending December 31, 1921, and certify that the above Balance Sheet is in accordance with the records, and in our opinion, correctly sets forth the financial position of the Company as at December 31, 1921. After providing for depreciation on buildings and equipment, and for bad and doubtful accounts, a loss has resulted from the year's operations of \$9,887,396.30. The inventories of merchandise and supplies have been valued at cost or market, whichever was lower. In cases of overstocks or out of season merchandise, the realizable value has been taken into consideration. The arrears of dividend and other requirements under the Company's Charter are:

Dividend on the Preferred Stock for last quarter 1921 .....	\$ 74,371.50
Preferred Stock Sinking Fund Payment for 1921 .....	200,000.00
Annual Reserve to be set aside before any dividends can be declared on Class "A" Stock or Common Stock, for both 1920 and 1921 .....	600,000.00
Accumulated Dividend on Class "A" Stock for the last quarter of 1920 and all of 1921 .....	1,793,750.00

ARTHUR YOUNG & COMPANY,  
Certified Public Accountants.

Chicago, Illinois, January 30, 1922.

DECEMBER 31, 1921

# LIABILITIES

## CURRENT LIABILITIES:

Notes Payable .....	\$ 2,972,500.00	
Accounts Payable—Mercantile .....	3,346,577.15	
Due Customers .....	1,220,420.49	
Taxes, etc. ....	920,857.38	
		\$ 8,460,355.02
GENERAL RESERVES .....		242,343.20

RESERVE FOR REAL ESTATE, BUILDINGS, ETC. .... 1,735,371.38

## PREFERRED STOCK 7% CUMULATIVE, \$100 PAR VALUE:

Authorized .....	\$10,000,000.00	
Issued .....	\$ 8,000,000.00	
Less: Preferred Stock purchased in the process of the re-organization, held in treasury, 37,502 shares .....	3,750,200.00	
		4,249,800.00

## CLASS "A" STOCK \$7 PER SHARE CUMULATIVE:

205,000 shares having no par value .....	5,594,037.28
(on liquidation or dissolution receives \$100 per share subject to rights of prior stock)	

## COMMON STOCK—HAVING NO PAR VALUE:

(after all of Class "B" Shares have been exchanged for Common Stock)	
1,141,251 shares* .....	28,279,888.74

## DEFICIT:

Surplus as at December 31, 1920 .....	\$ 2,429,772.36	
Dividends Paid—Preferred Stock .....	220,017.00	
		\$ 2,209,755.36
Loss for year .....	9,887,396.30	
		7,677,640.94
		\$40,884,154.68

Net Sales for year 1921.....\$68,523,244

\*231 shares of Class "B" still to be exchanged.

Contingent Liability in respect to guarantee of Mortgage Bonds of \$810,000 now outstanding issued by Montgomery Ward Warehouse Corporation, Portland, Oregon.

At the time of the organization of the Company the holders of the 300,000 shares of the common stock of the old New York Company were given the option to exchange their stock share for share either for Class "A" Stock or Class "B" Stock, each having no par value. The shareholders elected to take 205,000 shares of Class "A" Stock and 95,000 shares of Class "B" Stock, and the Capital \$8,186,396.02, at which the old Common Stock was carried, was brought forward as the Capital at which the Class "A" and Class "B" Stock was carried without division. Pursuant to action of the stockholders at the 1921 Annual Meeting, each share of Class "B" Stock has been or will be exchanged for three shares of Common Stock. Accordingly the proportionate amount of the above Capital has been deducted from the amount at which both the Class "A" and Class "B" Stock was carried, leaving the amount at which the Class "A" Stock is now carried \$5,594,037.28. On liquidation or dissolution, the Class "A" Stock receives \$100 per share, subject to the rights of the Preferred Stock.



